

DISTRICT COURT, CITY AND COUNTY OF DENVER, COLORADO 1437 Bannock Street Denver, CO 80202 <hr/> STATE OF COLORADO ex rel. JOHN W. SUTHERS, ATTORNEY GENERAL FOR THE STATE OF COLORADO, and LAURA E. UDIS, ADMINISTRATOR, UNIFORM CONSUMER CREDIT CODE, Plaintiffs, v. VERACITY CREDIT CONSULTANTS, LLC, Defendant.	<p style="text-align: center;">▲ COURT USE ONLY ▲</p>
JOHN W. SUTHERS, Attorney General JEANINE M. ANDERSON, Atty. Reg. No. 28206* Assistant Attorney General 1525 Sherman Street, 7 th Floor Denver, CO 80203 Phone Number: 303-866-2030 FAX Number: 303-866-5474 *Counsel of Record	Case No.: Div/Ctrm:
COMPLAINT	

Plaintiffs, the State of Colorado ex rel. John W. Suthers, Attorney General for the State of Colorado (the “State”), and Laura E. Udis, Administrator of the Uniform Consumer Credit Code (the “Administrator”), by and through the undersigned assistant attorney general, for their Complaint, allege as follows:

NATURE OF THE ACTION

1. Defendant Veracity Credit Consultants, LLC (“Veracity”) is in the credit repair business. Among other things, Veracity represents that in exchange for various payments it will improve – or “optimize” – consumers’ credit records. This action arises out of a series of unlawful acts, perpetrated by Veracity, to increase its profits by, among other things, charging fees before full and complete performance of the credit optimization services for which it had been retained. Plaintiffs seek to enjoin Veracity’s unlawful credit repair activities and other acts, conduct, and practices in connection with its credit repair business in violation of the federal

Credit Repair Organizations Act, 15 U.S.C. § 1679 et seq. (“CROA”), the Colorado Credit Services Organization Act, C.R.S. § 12-14.5-101 et seq. (“CCSOA”), and the Colorado Consumer Protection Act, C.R.S. § 6-1-101 et seq. (“CCPA”). Plaintiffs also seek other appropriate relief, including rescission of contracts, disgorgement, consumer restitution, refunds, penalties, attorneys’ fees and costs, and other equitable relief the Court deems appropriate.

PARTIES

2. John W. Suthers is the duly elected Attorney General of the State of Colorado. He is authorized under C.R.S. § 6-1-103 to enforce the CCPA by bringing civil actions against those that engage in deceptive trade practices. In such actions, the State may seek injunctive relief, consumer restitution, disgorgement, civil penalties, damages, and attorneys’ fees and costs. C.R.S. §§ 6-1-110, 6-1-112, and 6-1-113. In addition, as the chief law enforcement officer of the State, Suthers is authorized under 15 U.S.C. § 1679h(c)(1) to enforce the CROA by bringing civil actions against those that violate the act. In such actions, the Attorney General may seek injunctive relief, consumer restitution, disgorgement, civil penalties, damages, punitive damages, and attorneys’ fees and costs. 15 U.S.C. § 1679g.

3. Laura E. Udis is the Administrator of the Colorado Uniform Consumer Credit Code. She is authorized under C.R.S. § 12-14.5-110(2) to enforce the CCSOA by bringing civil actions against those that violate this act. In such actions, the Administrator may seek injunctive relief, consumer restitution, disgorgement, civil penalties, damages, punitive damages, and attorneys’ fees and costs. C.R.S. §§ 12-14.5-110, 12-14.5-111, and 12-14.5-113.

4. Defendant Veracity is a Colorado limited liability company with its office and principal place of business located at 110 16th Street, Suite 1000, Denver, CO 80202. Veracity is a “credit services” and “credit repair” organization (“Credit Services Organization”) under C.R.S. § 12-14.5-103 and 15 U.S.C. § 1679a.

JURISDICTION AND VENUE

5. This Court has jurisdiction over this case pursuant to C.R.S. § 13-1-124.

6. Pursuant to C.R.S. § 6-1-103 and C.R.C.P. 98, venue is proper in Denver County because Veracity’s office and principal place of business is in Denver County.

PUBLIC INTEREST

7. Through the misleading and deceptive practices of its business, Veracity has misled and deceived Colorado consumers. Veracity’s deceptive trade practices constitute prima facie evidence of Veracity’s intent to injure competitors and to destroy or substantially lessen competition. C.R.S. § 6-1-105(2).

8. Because Veracity continues to solicit Colorado consumers, the Attorney General believes that Veracity will continue to cause injury, loss, and damage to Colorado consumers, as well as to credit services organizations that comply with the CCSOA, CROA, and CCPA.

9. Therefore, this legal proceeding is in the public interest.

GENERAL ALLEGATIONS

A. The Statutory Framework.

1. The Colorado Credit Services Organization Act.

10. The CCSOA was enacted “to provide prospective buyers of services of credit services organizations with the information necessary to make an intelligent decision regarding the purchase of those services and to protect the public from unfair or deceptive advertising and business practices.” C.R.S. § 12-14.5-102(c).

11. The CCSOA defines a “credit services organization” as:

[A]ny person . . . who, with respect to the extension of credit by others, represents that such person can or will, in return for the payment of money or other valuable consideration by the buyer, improve or attempt to improve a buyer’s credit record, history, or rating.

C.R.S. § 12-14.5-103(2).

12. Per the CCSOA, a “credit services organization; its salespersons, agents, and representatives; . . . shall not:

(a) Charge or receive any money or other valuable consideration prior to full and complete performance of the services the credit services organization has agreed to perform for the buyer;. . .

. . .

(c) Make or use any untrue or misleading representations in the offer or sale of the services of a credit services organization or engage, directly or indirectly, in any act, practice, or course of business that operates or would operate as fraud or deception upon any person in connection with the offer or sale of the services of a credit services organization; or

(d) Make, counsel, or advise any buyer to make a request to a credit reporting agency to verify information contained in a consumer credit report, unless the buyer states in writing to the credit services organization that the buyer believes the information to be verified is incorrect or inaccurate, and states specifically the basis of the inaccuracy or incorrectness of each disputed item of information.

C.R.S. § 12-14.5-104(1).

13. The CCSOA mandates that certain information be provided before a credit services organization may enter into an agreement with a consumer. As pertinent here, a credit services organization must provide “[a] complete and detailed description of the services to be performed by the credit services organization for the buyer and the total amount the buyer will have to pay, or become obligated to pay, for the services.” C.R.S. § 12-14.5-107(1)(b).

14. Finally, C.R.S. § 12-14.5-108 governs the content of all agreements between credit services organizations and consumers. Under the CCSOA, “[e]ach contract between the buyer and a credit services organization for the purchase of the services of the credit services organization shall be in writing, dated, signed by the buyer, and include the following:

- (b) [t]he terms and conditions of payment, including the total of all payments to be made by the buyer, whether to the credit services organization or to some other person;
- (c) [a] full and detailed description of the services to be performed by the credit services organization for the buyer, including: . . . (II) The estimated date by which the services are to be performed, or the estimated length of time for performing the services; (III) A list of the adverse information appearing on the buyer’s credit report that is to be modified and a description of the precise nature of each modification. A copy of the consumer’s current credit report issued by a consumer credit reporting agency shall be annexed to the contract with the adverse entries and proposed modifications clearly marked.

2. The Credit Repair Organizations Act.

15. The federal CROA took effect on April 1, 1997, and has since that date remained in full force and effect.

16. The CROA defines a “credit repair organization” as:

[A]ny person who uses any instrumentality of interstate commerce or the mails to sell, provide, or perform (or represent that such person can or will sell, provide, or perform) any service, in return for the payment of money or other valuable

consideration, for the express or implied purpose of – (i) improving any consumer’s credit record, credit history, or credit rating; or (ii) providing advice or assistance to any consumer with regard to any activity or service described in clause (i);

15 U.S.C. § 1679a(3)(A).

17. The CROA prohibits persons from making or using any untrue or misleading representation of the services of the credit repair organization. 15 U.S.C. § 1679b(a)(3).

18. The CROA also prohibits a credit repair organization from charging or receiving any money or other valuable consideration for performing any service that the credit repair organization has agreed to perform before such service has been fully performed. 15 U.S.C. § 1679b(b).

19. The Attorney General is authorized to bring an action to enjoin violations of the CROA and, on behalf of residents of the State of Colorado, to recover damages for which the credit repair organization is liable to such residents under 15 U.S.C. § 1679g.

B. Defendant’s Business Activities.

20. Since 2003, Veracity has advertised, marketed, promoted, offered for sale, and sold credit optimization services in Colorado and throughout the United States. Veracity advertises its services through the Internet websites www.veracitycredit.com and www.veracitybrokers.com.

21. At all relevant times, Veracity has maintained a substantial course of trade in or affecting commerce, as “commerce” is defined in Section 4 of the FTC Act, 15 U.S.C. § 44.

22. Through its Internet websites, Veracity offers a credit optimization program purporting to “*fix credit* and correct errors to improve [a consumer’s] credit score.” Veracity promises to improve consumers’ credit scores for a variety of purposes, including for obtaining financing on a home or vehicle.

23. To attract consumers and induce them to purchase Veracity’s credit optimization program, Veracity’s websites promise consumers that Veracity gets results:

- Veracity Credit Consultants is one of the best credit repair services available because we get **results**. By offering the best report analyses, fast credit score turnarounds, ongoing updates and the most attentive and professionally-trained credit repair consultants, we outperform our competitors significantly.

- If you have bad credit, invalid account information, a desire to improve your credit rating and don't have time to write letters and chase down creditors, Veracity is the credit repair service for you.
- Veracity strategically disputes inaccurate and negative accounts with the three major credit reporting bureaus – Equifax, Experian and TransUnion – asking the bureaus to erase unverified, illegitimate, or outdated debts per federal law.
- First results will usually take effect within 45 days, with subsequent improvements occurring every 20-30 days thereafter. Most mortgage candidates will realize a successful loan in 3-6 months, while continuing afterwards to reach complete optimization.
- On average our clients continue the program for 9-12 months. During that time, the majority will experience successful mortgage financing, reduced credit card rates, and other benefits, which continue long after the program has reached completion.

24. Consumers who are persuaded to use Veracity's services pay an initial membership fee (the "Membership Fee") of \$69 or \$99 depending on the plan selection, and then are charged \$49 or \$79 per month beginning one month later (the "Monthly Fee").

25. Once a consumer has opened an account with Veracity and authorized payment of the Membership Fee, Veracity sends the consumer a Client Services Agreement (the "Agreement") and other materials.

26. Contrary to Veracity's representations about "results" and "fast credit score turnarounds" contained on its websites, Veracity's Agreement disclaims any promise of actually repairing credit. Buried in the middle of the Agreement, Veracity states: "VCC DOES NOT REPRESENT OR WARRANT THAT IT WILL ACHIEVE SPECIFIC RESULTS FOR CLIENT. VCC DOES NOT REPRESENT OR GUARANTEE THAT CLIENT'S CREDIT REPORT OR SCORE WILL BE AFFECTED BY THE SERVICES PROVIDED BY VCC OR THAT CLIENT WILL RECEIVE NEW CREDIT OR LOANS, CREDIT CARDS OR MORTGAGES AS A RESULT OF VCC'S SERVICES. (Agreement ¶ 6.)

27. Rather, the actual services Veracity contracts to provide to consumers are quite limited. Veracity agrees to perform the following set-up services before the client owes the Membership Fee: (a) create a permanent online Client Portal; (b) review and analyze the Dispute Form and the Credit Report; (c) consult with Client regarding the Dispute Form and Credit Report; and (d) develop a going forward plan of action (the "Initial Services") (Id. ¶¶ 2(a), 4(a).)

28. Once Veracity has completed the Initial Services, Veracity agrees to perform the following “other services” during the term of the Agreement: (a) credit report analysis; (b) weekly credit tips; (c) 24/7 online access to Client Portal; and (d) toll free number support (collectively, the “Other Services”). (Id. ¶ 2(b).) Further, Veracity’s Information Statement for Veracity Platinum Services (the “Information Statement”) provides that Veracity will submit “to the appropriate credit bureaus requests for verification, clarification, or correction of all inaccurate items properly identified and submitted by [the consumer] to [Veracity] no later than three (3) days before the end of the term of the agreement.”

29. Per the Agreement, once Veracity has performed the Initial Services the Agreement will continuously renew on a monthly basis until terminated by the consumer. The Agreement may be terminated as follows:

Client may elect not to renew and thereby terminate this Agreement at the end of the Term, by providing written notice of termination to VCC at least three days prior to the end of such Term.

(Id. ¶ 3(b).)

30. The Agreement may not be terminated until the “term” has expired. (Id. ¶ 3(b).) “Term” is defined as the one-month period beginning after the completion of the Initial Services. (Id. ¶ 3(a).) Thus, at the very least a consumer must pay for both the Membership Fee and the Monthly Fee before the Agreement may be terminated.

31. Moreover, the Agreement provides that a consumer may need to purchase “several months” of Veracity’s services to achieve the results the consumer desires. (Id. ¶ 3(d).) Indeed, Veracity indicates that “[m]ost Clients have elected to purchase six separate months of service.” (Id.)

32. Veracity is a “credit services organization” under the CCSOA.

33. Veracity is a “credit repair organization” under the CROA.

34. Veracity’s business practices violate C.R.S. § 12-14.5-104(1) of the CCSOA or 15 U.S.C. § 1679b(b) of the CROA in at least the following respects:

- a. Veracity charges consumers the Membership Fee prior to full and complete performance of the services Veracity has agreed to perform for the buyers.
- b. Veracity charges consumers the Monthly Fee prior to full and complete performance of the services Veracity has agreed to perform for the buyers.

- c. Veracity makes untrue or misleading representations in the offer or sale of its credit optimization program.

FIRST CLAIM FOR RELIEF
VIOLATIONS OF COLORADO CREDIT SERVICES ORGANIZATION ACT (C.R.S. § 12-14.5-104(1))

35. The Administrator incorporates by reference the allegations of paragraphs 1 through 34 above as if fully set forth herein.

36. Pursuant to the CCSOA, a credit services organization may not: “(a) [c]harge or receive any money or other valuable consideration prior to full and complete performance of the services the credit services organization has agreed to perform for the buyer; [or] (c) [m]ake or use any untrue or misleading representations in the offer or sale of the services of a credit services organization or engage, directly or indirectly, in any act, practice, or course of business that operates or would operate as fraud or deception upon any person in connection with the offer or sale of the services of a credit services organization. . . .” C.R.S. § 12-14.5-104(1).

37. As set forth above, Veracity’s business practices violate these provisions of the CCSOA.

38. As a result of Veracity’s violations of the CCSOA, the Administrator is entitled to injunctive relief and attorneys’ fees and costs. C.R.S. § 12-14.5-110.

SECOND CLAIM FOR RELIEF
VIOLATIONS OF COLORADO CREDIT SERVICES ORGANIZATION ACT (C.R.S. § 12-14.5-107)

39. The Administrator incorporates by reference the allegations of paragraphs 1 through 38 above as if fully set forth herein.

40. The CCSOA mandates that certain information be provided before a credit services organization may enter into an agreement with a consumer, including “[a] complete and detailed description of the services to be performed by the credit services organization for the buyer and the total amount the buyer will have to pay, or become obligated to pay, for the services.” C.R.S. § 12-14.5-107(1)(b).

41. Veracity has violated and continues to violate C.R.S. § 12-14.5-107 by failing to provide consumers with the requisite information.

42. As a result of Veracity’s violations of the CCSOA, the Administrator is entitled to injunctive relief and attorneys’ fees and costs. C.R.S. § 12-14.5-110.

THIRD CLAIM FOR RELIEF
VIOLATIONS OF COLORADO CREDIT SERVICES ORGANIZATION ACT (C.R.S. § 12-14.5-108)

43. The Administrator incorporates by reference the allegations of paragraphs 1 through 42 above as if fully set forth herein.

44. The CCSOA requires that certain information be contained in all agreements between credit services organizations and consumers, including specific information about the terms and conditions of payment, an estimated date by which the services are to be performed, and a list of the adverse information appearing on the buyer's credit report that is to be modified and a description of the precise nature of each modification. C.R.S. § 12-14.5-108.

45. Veracity has violated and continues to violate C.R.S. § 12-14.5-108 by failing to include the required information in its Agreement.

46. As a result of Veracity's violations of the CCSOA, the Administrator is entitled to injunctive relief and attorneys' fees and costs. C.R.S. § 12-14.5-110.

FOURTH CLAIM FOR RELIEF
VIOLATIONS OF CREDIT REPAIR ORGANIZATIONS ACT (15 U.S.C. § 1679b(b))

47. The Attorney General incorporates by reference the allegations of paragraphs 1 through 46 above as if fully set forth herein.

48. The CROA prohibits Veracity from charging or receiving any money prior to the full performance of the services it agreed to perform for consumers. 15 U.S.C. § 1679b(b).

49. Veracity violates the CROA when, as fully set forth above, it charges consumers a Membership Fee and Monthly Fee prior to full performance of the services it agreed to perform for consumers. 15 U.S.C. § 1679b(b).

50. As a result of Veracity's violations of the CROA, the Attorney General is entitled to injunctive relief and attorneys' fees and costs, and the Colorado residents who purchased the services are entitled to their actual damages, as defined in 15 U.S.C. § 1679g.

FIFTH CLAIM FOR RELIEF
VIOLATIONS OF CREDIT REPAIR ORGANIZATIONS ACT (15 U.S.C. § 1679b(a)(3))

51. The Attorney General incorporates by reference the allegations of paragraphs 1 through 50 above as if fully set forth herein.

52. The CROA prohibits Veracity from making or using any untrue or misleading representations of Defendant's services. 15 U.S.C. § 1679b(a)(3).

53. Veracity violates the CROA by making untrue and misleading representations of Veracity's services.

54. As a result of Veracity's violations of the CROA, the Attorney General is entitled to injunctive relief and attorneys' fees and costs, and the Colorado residents who purchased the services are entitled to their actual damages, as defined in 15 U.S.C. § 1679g.

SIXTH CLAIM FOR RELIEF
VIOLATIONS OF CREDIT REPAIR ORGANIZATIONS ACT (15 U.S.C. § 1679d(b))

55. The Attorney General incorporates by reference the allegations of paragraphs 1 through 54 above as if fully set forth herein.

56. The CROA requires that certain information be contained in all agreements between credit services organizations and consumers, including specific information about the terms and conditions of payment and an estimated date by which the services are to be performed. 15 U.S.C. § 1679d(b).

57. Veracity has violated and continues to violate 15 U.S.C. § 1679d(b) by failing to include the requisite information in its Agreement.

58. As a result of Veracity's violations of the CROA, the Attorney General is entitled to injunctive relief and attorneys' fees and costs, and the Colorado residents who purchased the services are entitled to their actual damages, as defined in 15 U.S.C. § 1679g.

SEVENTH CLAIM FOR RELIEF
VIOLATIONS OF COLORADO CONSUMER PROTECTION ACT (C.R.S. § 6-1-105(1)(e))

59. The Attorney General incorporates by reference the allegations of paragraphs 1 through 58 above as if fully set forth herein.

60. Under the CCPA, a person engages in a deceptive trade practice when, in the course of such person's business, such person "[k]nowingly makes a false representation as to the characteristics, ingredients, uses, benefits, alterations, or quantities of . . . services. . . ." C.R.S. § 6-1-105(1)(e).

61. Veracity violates the CCPA by knowingly making untrue and misleading representations of Veracity's services.

62. As a result of Veracity's violations of the CCPA, the Attorney General is entitled to injunctive relief, consumer restitution, disgorgement, civil penalties, and attorneys' fees and costs. C.R.S. §§ 6-1-110, 6-1-112, and 6-1-113.

EIGHTH CLAIM FOR RELIEF
VIOLATIONS OF COLORADO CONSUMER PROTECTION ACT (C.R.S. § 6-1-105(1)(u))

63. The Attorney General incorporates by reference the allegations of paragraphs 1 through 62 above as if fully set forth herein.

64. Under the CCPA, a person engages in a deceptive trade practice when such person "[f]ails to disclose material information concerning goods, services, or property which information was known at the time of an advertisement or sale if such failure to disclose such information was intended to induce the consumer to enter into a transaction." C.R.S. § 6-1-105(1)(u).

65. Veracity violates the CCPA by failing to disclose material information about its services with the intent to induce consumers to enter into transactions.

66. As a result of Veracity's violations of the CCPA, the Attorney General is entitled to injunctive relief, consumer restitution, disgorgement, civil penalties, and attorneys' fees and costs. C.R.S. §§ 6-1-110, 6-1-112, and 6-1-113.

PRAYER FOR RELIEF

ACCORDINGLY, Plaintiffs pray for entry of judgment in their favor and against Veracity, and request the Court provide the following relief:

- A. Issue an injunction, enjoining Veracity from:
 - 1. Providing credit repair services to residents of Colorado in violation of the CCSOA;
 - 2. Providing credit repair services to Colorado residents in violation of the CROA; and
 - 3. Engaging in deceptive trade practices, in the course of its business activities, in violation of the CCPA.
- B. Impose civil penalties against Veracity under C.R.S. § 6-1-112.

- C. Award actual damages to residents of Colorado injured by the violations of the CROA.
- D. Order Veracity to make restitution of money to the persons aggrieved by the violations.
- E. Order Veracity to disgorge all profits from its unlawful activities in the State of Colorado.
- F. Award costs, expenses, and attorneys' fees incurred by Plaintiffs.
- G. Award pre- and post-judgment interest.
- H. Award such other relief as the Court deems proper and just.

Dated this the 4th day of February 2010.

JOHN W. SUTHERS
Attorney General

/s/ Jeanine M. Anderson

JEANINE M. ANDERSON, 28206*

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Pursuant to C.R.C.P. 121, § 1-26(7), the original of this document with original signatures is maintained in the Offices of the Colorado Attorney General, 1525 Sherman Street, Seventh Floor, Denver, CO 80203, and will be made available for inspection by other parties or the Court upon request.